

Service Date November 12, 1974

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the application)	
of THE MONTANA POWER COMPANY for)	
authority to issue and sell)	Docket No. <u>6264</u>
\$30,000,000 in principal amount)	
of First Mortgage Bonds and)	
1,200,000 Shares of Common Stock)	Order No. 4161
(NO PAR VALUE))	

On November 4, 1974, The Montana Power Company, hereinafter called the Applicant, a corporation organized and existing under the laws of the State of Montana and qualified to transact business in Montana, filed with the Public Service Commission of Montana its verified application pursuant to Sections 70-117.1 through 70-117.6, R.C.M. 1947, requesting an order for authority to issue and sell (i) \$30,000,000 in principal amount of a new series of its First Mortgage Bonds, and to execute and deliver in connection therewith a Seventh Supplemental Indenture, to be dated as of December 1, 1974, and (ii) 1,200,000 shares of its Common Stock, without par value. The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of issuance of securities by electric and gas utility companies operating within Montana.

It is alleged in the application that applicant is a public utility as defined in Section 70-103, R.C.M. 1947, in that it furnishes electric, gas and water service in Montana; that applicant's principal executive office is at 40 East Broadway, Butte, Montana and that applicant is duly qualified to do business in the states of Montana, Wyoming and Idaho. For detailed information with respect to the general character of applicant's business and the territory served by it, reference is made to its annual reports on file with the Commission.

The securities to be issued are \$30,000,000 in principal amount of a new series of applicant's first mortgage bonds (New Bonds), and 1,200,000 additional shares of its Common Stock without par value (Additional Stock).

The New Bonds are to be issued under and pursuant to Applicant's presently existing mortgage

and deed of trust, dated as of October 1, 1945, to Guaranty Trust Company of New York (now Morgan Guaranty Trust Company of New York) and Arthur E. Burke (R. Amundsen, successor), as trustees, as supplemented and as proposed to be supplemented by a Seventh Supplemental Indenture thereto, a copy of the proposed form of which is Exhibit "D" to the Application.

The New Bonds are to be dated so as to mature on December 1, 1981. The New Bonds will bear interest at a rate per annum to be determined by a negotiated public offering. As soon as the rate of interest to be borne by the New Bonds (which shall be a multiple of 1/8 of 1%) and the price (exclusive of accrued interest) to be paid applicant therefore (which shall not be less than 98-1/2% nor more than 102-3/4% of the principal amount thereof) are determined, they shall be submitted to the Commission, for approval, by an amendment to this application. A form of agreement between the applicant and the underwriters as to the negotiated public offering of the New Bonds is attached as Exhibit "B" to the application.

Further information regarding the New Bonds is contained in applicant's registration statement which is Exhibit "C" to the application.

The Additional Stock will be issued as part of the 22,000,000 shares of common stock, no par value, authorized by Applicant's Articles of Incorporation (of which 7,547,356 have been issued to date). In its Order No. 2881, Docket No. 5012, the Commission granted Applicant authorization to issue a total of 8,194,995 shares of common stock and Applicant now proposes to issue an additional 1,200,000 shares of common stock and requests the Commission to authorize such addition shares in order that it will have Commission authorization to issue a total of 9,394,995 shares of common stock, no par value.

The Additional Stock, when authorized for issuance, will be sold for cash at a price to be fixed by a negotiated public offering. The applicant proposes that the price per share to be received by the Company for the Additional Stock shall be submitted to the Commission, for approval, by an amendment to this application. A form of agreement between the applicant and the underwriters as to the negotiated public offering of the Additional Shares is attached as Exhibit 'F to the application.

Expenses in connection with the issue of the New Bonds and the Additional Shares are estimated to be \$177,000, no part of which will be for fees for service (other than attorneys,

accountants and similar technical services) in connection with the negotiation or consummation of the issuance or sale of the New Bonds or the Additional Stock.

Proceeds of this issue of New Bonds and Additional Stock, together with internally-generated funds, will be used to finance construction and repay short-term borrowings incurred for that purpose. The amount of the applicant's short-term borrowings estimated to be outstanding at the time of these issues is \$50,000,000.

Further permanent financing may be undertaken by applicant in 1975, but the amounts and types of securities then to be issued have not yet been determined. In the meantime, the company will utilize short-term borrowings to supplement its internally-generated funds to finance its continuing construction program. For additional information with respect to the purpose for which the new bonds **are** to be issued, reference is made to "Use of Proceeds and Construction Program in applicant's registration statements which are Exhibits C to the application.

The application sets forth counsel who will pass upon the legality of the proposed issues, the other regulatory authorizations required and the propriety of the proposed issues.

Having fully considered the application and all the data and records pertaining thereto on file with the Commission, and being fully advised in the premises, the Commission makes the following:

FINDINGS OF FACT

1. That the applicant, The Montana **Power Company, is a** corporation organized and existing under and by virtue of the laws of the State of Montana and is qualified to transact business in the State of Montana.

2. That The Montana Power Company is operating as a public utility as defined in Section 70-103, R.C.M. **1947, and as such is** engaged in furnishing electric, natural gas and water services in Montana.

3. That the Commission has jurisdiction over the subject matter of said application, under Sections 70-117.1 through 70-117.6, R.C.M. 1947.

4. That the issuance of an additional 1,200,000 shares of stock and the sale of \$30,000,000 first mortgage bonds proposed by the applicant, as hereinafter authorized, will be

for a lawful purpose and are consistent with the public interest; that each is necessary or appropriate for and consistent with the proper performance by the applicant of service as a public utility; and that the aggregate amount of the securities outstanding and proposed to be outstanding will not exceed the fair value of the properties and business of the applicant.

5. That public notice of the filing of said application and a formal hearing thereon is not required and that the application should be approved as hereinafter ordered.

CONCLUSION OF LAW

That the application of The Montana Power Company herein complies with Sections 70—117.1 through 70—117.6 R.C.M. 1947 and other laws of Montana as aforesaid and the same should be granted as hereinafter ordered.

ORDER

NOW THEREFORE, at a session of the Public Service Commission of the State of Montana, held in its offices at 1227 11th Avenue, Helena, Montana, on November 8, 1974, there being present Chairman Ernest C. Steel and Commissioner Victor H. Fall, there regularly came before the Commission for final action, the matters and things in Docket No. 6264 and the Commission being fully advised in the premises;

IT IS ORDERED that the application of The Montana Power Company for an order authorizing the issuance and sale of (1) \$30,000,000 in principal amount of a new series of its first mortgage bonds, due 1981 and to execute and deliver in connection therewith a Seventh Supplemental Indenture and (2) an additional 1,200,000 Shares of common stock, without par value, making a total of 9,394,955 Shares of common stock authorized for issuance is hereby approved, and the issuance and sale of the New Bonds and Additional Shares be, and the same are, hereby authorized subject to the provisions of this Order pursuant to Sections 70-117.1 through 70-117.6, R.C.M. 1947.

IT IS FURTHER ORDERED that the interest rate to be borne by the New Bonds, the price to be received by the applicant from the sale of the New Bonds and the effective interest cost thereon will be held open to be approved by this Commission upon the filing of the

amendment to the application by the applicant **as set forth** in the application and required in this Order.

IT IS FURTHER ORDERED that the price per share to be received by the applicant for the Additional Shares will be held open to be approved by this Commission upon the filing of the amendment to the application by the applicant as set forth in the application and required in this Order.

IT IS FURTHER ORDERED that the foregoing authorization is without prejudice to the regulatory authority of this Commission with respect to rates, service, accounts, valuations, estimates or determinations of cost, or any other matter which may come before this Commission pursuant to its jurisdiction as provided by law.

IT IS FURTHER ORDERED that nothing in this Order and no provision of Sections 70-117.1 through 70-117.6, R.C.M. 1947 or any act or deed done and performed in connection herewith shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed or guaranteed under the provisions of Sections 70—117.1 through 70-117.6, R.C.M. 1947.

The foregoing Order was unanimously adopted by the Public Service Commission of the State of Montana.

DONE in open session at Helena, Montana, this 8th day of November, 1974.

ERNEST C. STEEL, Chairman

VICTOR H. FALL, Commissioner

ATTEST:

GAIL E. BEHAN
Secretary

(SEAL)